



FLEMING-MASON ENERGY  
COOPERATIVE, INC.

P.O. Box 328 • FLEMINGSBURG, KENTUCKY 41041 • (606) 845-2661 • FAX (606) 845-1008

RECEIVED

MAY 30 2008

PUBLIC SERVICE  
COMMISSION

May 29, 2008

Mr. Bill Feldman  
Assistant Director Filings Division  
Kentucky Public Service Commission  
P. O. Box 615  
Frankfort KY 40602

RE: Case No. 2001-00244

Dear Mr. Feldman:

Enclosed is Fleming-Mason Energy's 2007 Annual Report distributed to its membership. Included in the annual report are the financial reports for Fleming-Mason Service Corporation as required in the above referenced case.

Please contact the office if you have questions.

Sincerely,

Joni K. Hazelrigg  
CFO

Enclosure




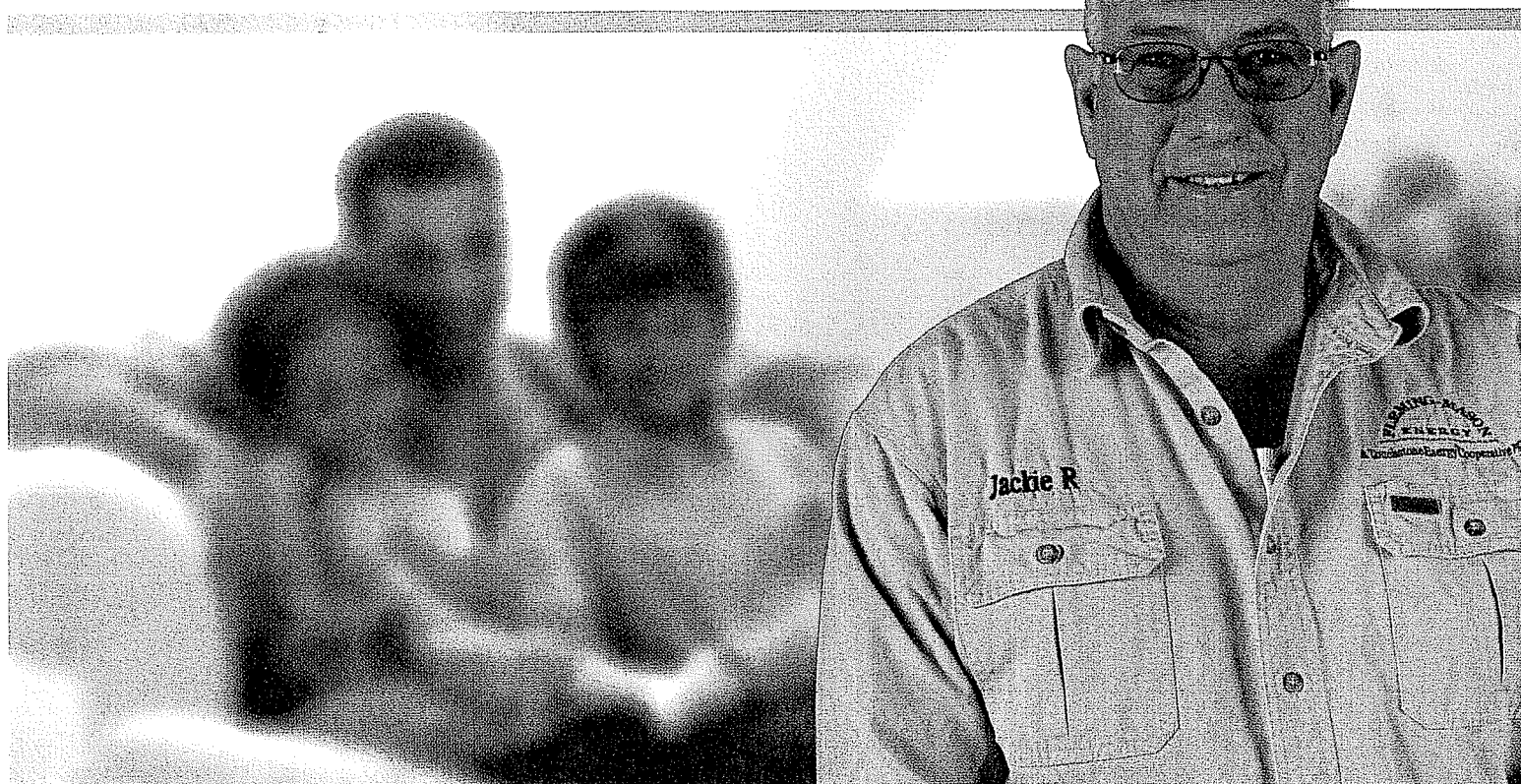


# CO-OP RELIABILITY

THE 2007 ANNUAL REPORT OF FLEMING-MASON ENERGY



A Touchstone Energy® Cooperative 



# CO-OP RELIABILITY

## A MESSAGE FROM YOUR CEO AND BOARD CHAIR

The word reliability has a couple different meanings at Fleming-Mason Energy.

It means keeping your electricity on.

That might call for sending a crew of lineworkers out in a thunderstorm or blizzard in the middle of the night to repair downed wires as quickly as possible. Or working on ways to avoid power interruptions of even a few milliseconds, to protect the newest, modern electronics used in homes and businesses today.

It also requires looking into the future, by building the power plants and transmission lines that will be needed to ensure you'll have all the electricity you want 20 and 30 years from now.

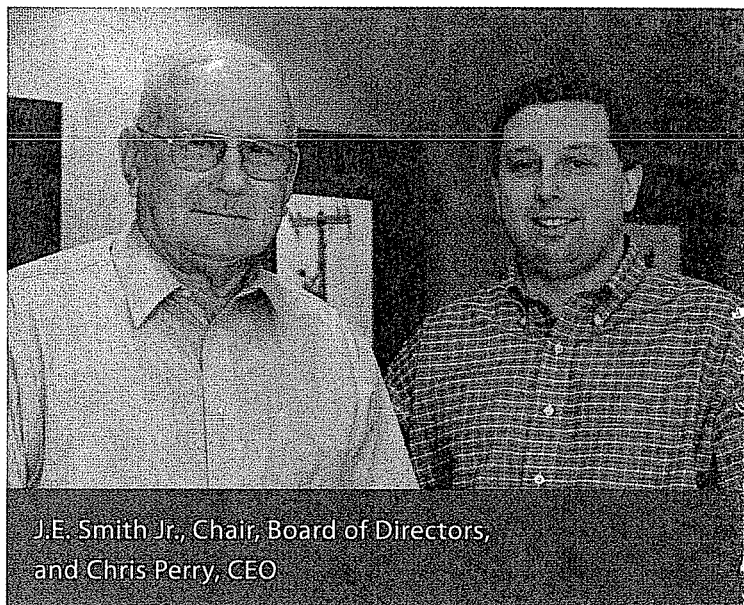
A less technical definition of reliability refers to someone you can count on in all sorts of situations. In other words, a good neighbor.

Fleming-Mason Energy strives to meet that meaning of a helpful, well-informed energy neighbor as well.

Fleming-Mason Energy can offer expert advice on how to use energy efficiently. As a local, member-owned cooperative, Fleming-Mason stays involved in a wide range of community support activities. From education scholarships, to membership in charitable organizations, to economic development, Fleming-Mason Energy takes pride in its role of helping improve our quality of life.

We're pleased to provide you with this annual report on another successful year for Fleming-Mason Energy. In describing the activities and results of 2007, it makes sense to view it as a year of continued reliability.

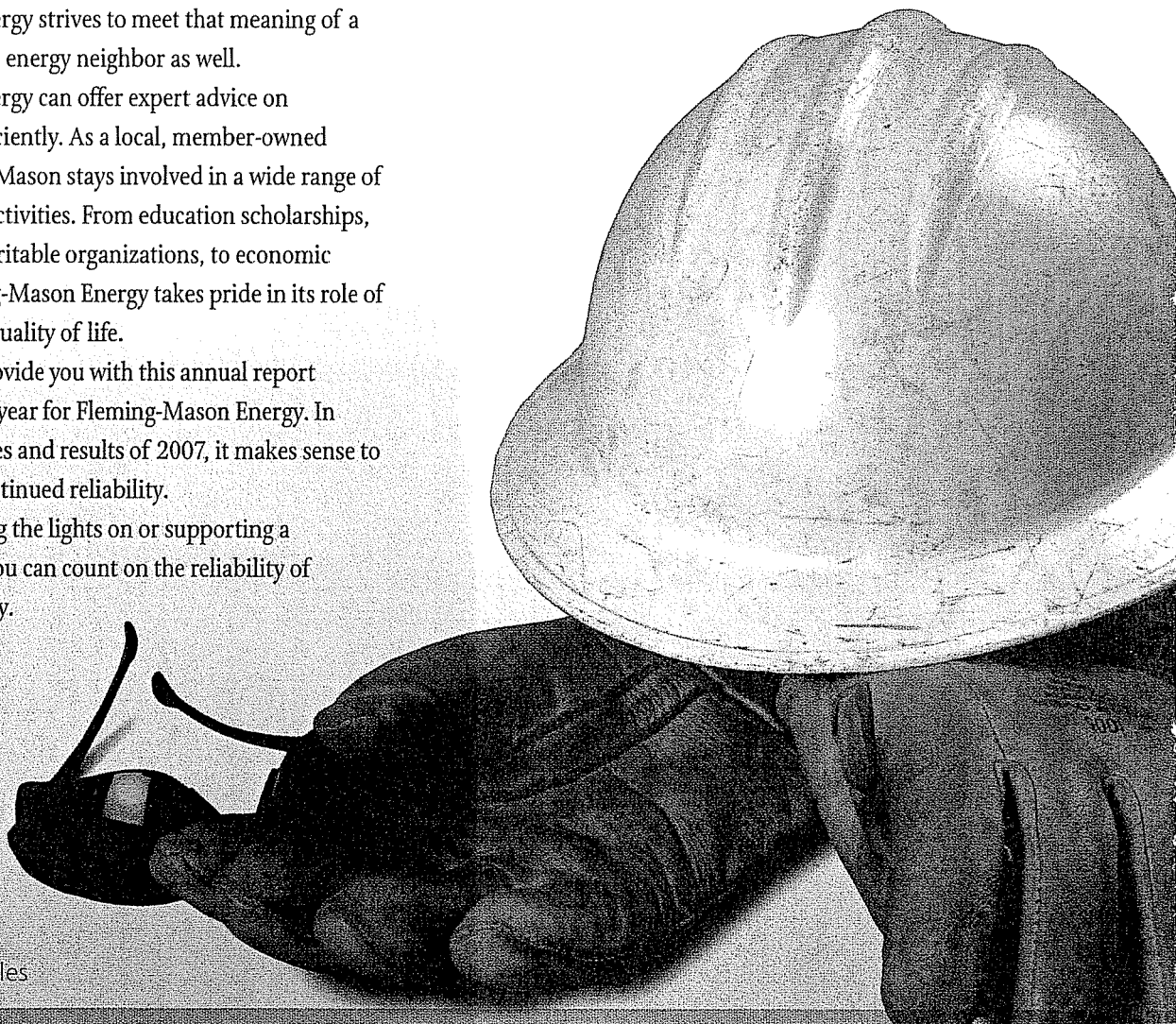
Whether it's keeping the lights on or supporting a community activity, you can count on the reliability of Fleming-Mason Energy.



J.E. Smith Jr., Chair, Board of Directors,  
and Chris Perry, CEO

### On the cover:

Helping keep your electricity safe and reliable are Fleming-Mason Energy Co-op lineman Gary Jamison (top), and Jackie Reeves, crew leader.



Photos by: Jim Battles



# RELIABLE ELECTRICITY

In 2007, the average member of Fleming-Mason Energy had electricity 99.45 percent of the time.

That many decimal places make that number hard to imagine. What it adds up to is that electricity flowed to area homes and businesses pretty much all the time. Fleming-Mason Energy takes enormous pride in that record of reliability.

And even that incredible record is improving.

In 2007, Fleming-Mason Energy took steps to further reduce outage time.

Co-op work focused on quick response to storm outages last year. And it continued right-of-way vegetation clearing programs to keep tree limbs and other brush from interfering with power lines.

But these days, some of the most significant improvements in the delivery of electricity to you comes in high-technology ways we could hardly have imagined even 10 years ago.

Electric distribution systems have been designed so that, to some extent, they can repair themselves after routine disturbances. For example, when a bird or squirrel comes in contact with a bare wire, electronic switches sense the disturbance and respond in milliseconds.

You wouldn't even notice that if you were reading a book under your living room lamps.

If you were typing on your computer, however, that fraction of a second could cost you an hour of work, as it quickly shut down then rebooted. That's in addition to the irritation of having to reset the flashing digital clocks in the house.

Fleming-Mason Energy recognizes that these high-tech realities raise the standards of reliability. Part of Fleming-Mason's work plan has been to find ways of reducing outages that last even a fraction of a second.

To avoid interference from animals, we've added barriers in critical areas to avoid interference from animals. Transformers are being redesigned and even poles reconfigured, to reduce the chances for even brief outages.

For especially precise and critical power needs that can't risk any length of outage, Fleming-Mason Energy works with home and business owners on different ways to protect their sensitive appliances and equipment.

As technology gets more sophisticated, so does Fleming-Mason Energy, raising the standards for reliable electricity.



## RELIABLE VALUE

Costs are rising in many industries, especially in the energy business or any endeavor that relies on oil, which has seen huge cost increases in the past year.

Fleming-Mason Energy has been affected by these cost increases as well. Fleming-Mason makes every effort to keep its business operations effective and efficient, to provide you the most affordable and reliable electric service, at the lowest possible cost. As you know, there are times when cost increases must be passed along to the members, to make sure the co-op operates from a sound financial position.

You can rely on Fleming-Mason to keep cost increases to the bare minimum required to maintain the high value of electric service you rely on.

Fleming-Mason also works to make sure you can depend on that value of electricity for years to come. Demand for electricity is growing at a rate faster than new power plants are being built. The new power plants that will be required will be expensive. You can rely on Fleming-Mason being on the job to make sure new electricity generation in the coming years will be as economical as possible.

## ENVIRONMENTALLY RELIABLE

One of the biggest energy stories in the news during the past year has been concerns about emissions of greenhouse gases being blamed for global warming.

Fleming-Mason Energy brings special expertise to this large and complex energy and environmental issue. Fleming-Mason participates in national organizations of scientists, engineers, and policy experts who pay special attention to climate change. They're working on several advanced, highly complex techniques and technologies that could actually reduce the amount of greenhouse gases being emitted in this country over the next 20 years.

One of those greenhouse gas reduction plans is not complicated at all, and all of us can do it in our homes and businesses. It's called using energy efficiently.

Energy efficiency has so much potential to be an important part of our energy future that experts have called it "the fifth fuel," in addition to the coal, natural gas, nuclear, and hydroelectric power supplying nearly all our electricity.

Fleming-Mason has a long history of working with its members to help them make the best use of their electric energy. Fleming-Mason Energy offers a number of programs that members use regularly, to reduce energy inefficiencies around the home and business.

One solution that combines efficiency and technology is the use of compact fluorescent bulbs. These new lights cost more than regular incandescent bulbs, but they use one-fourth the electricity to produce the same amount of light, and they last 10 times as long. That's a solution that can help the environment, and save you money. For those reasons, Fleming-Mason Energy has been promoting compact fluorescent bulbs for years. In fact, since 2003 Fleming-Mason has handed out nearly 20,000 free compact fluorescent bulbs to members attending the Fleming-Mason Energy annual meeting. That promotion is part of a coordinated effort by electric co-ops all across Kentucky. In the past four years, Kentucky electric co-ops have distributed more than 400,000 compact fluorescent light bulbs, saving Kentuckians more than \$4 million, and reducing carbon dioxide emissions by more than 78,000 tons.

Environmental and energy concerns are one of the most important and pressing concerns of the day. Fleming-Mason Energy is providing its members with reliable advice for analyzing and acting on the best course for our energy future.

## A RELIABLE NEIGHBOR

As a local, member-owned utility, Fleming-Mason Energy values its role in our community.

Our schools are among the most important foundations of the community, and Fleming-Mason Energy supports their educational efforts in a number of ways. From electric safety demonstrations in classrooms, to participation in scholarship programs, to statewide involvement in college and university projects, Fleming-Mason can be counted on to act on its commitment to education.

Fleming-Mason is also actively involved in improving our local quality of life by being a part of our local economic development activities, working to enhance jobs and income in our community. Employees of Fleming-Mason Energy are active in boards, clubs, and civic groups all around the service territory.

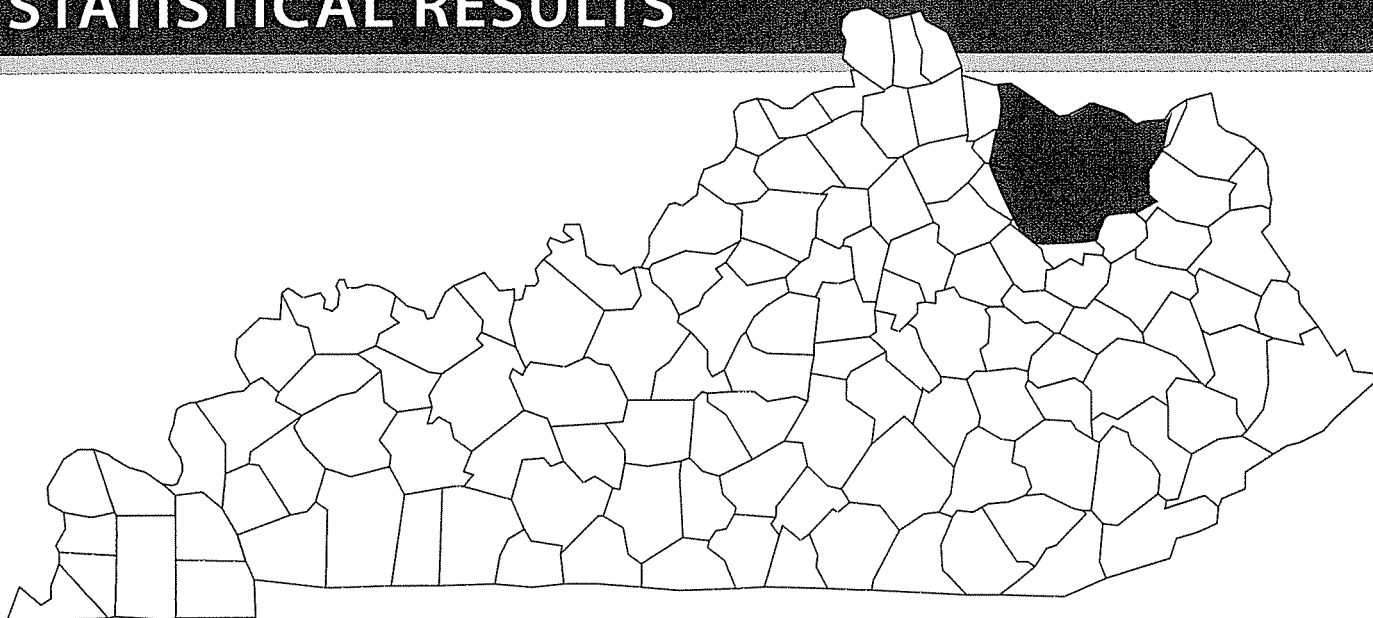
One of the most visible ways this reliability can be seen is with Fleming-Mason Energy's annual meeting every summer. This meeting provides a rallying point for the progress and recognition of co-op and community activities. The important business of the co-op is conducted at this meeting, including reports on the co-op's financial position and board elections. It's also a fun event where families can come and spend time among their neighbors.

So whether it's an annual community business meeting or dependable electricity today and into the future, you can count on Fleming-Mason Energy. That's co-op reliability.

Fleming-Mason Energy Co-op Director of Member Services Mary Beth Nance with a compact fluorescent light bulb. Fleming-Mason Energy promotes the use of these bulbs because they use energy more efficiently.



# STATISTICAL RESULTS



## Members Served in 2007

Bath .....	2,710
Bracken.....	796
Fleming.....	6,796
Lewis.....	4,907
Mason.....	3,067
Nicholas.....	863
Robertson .....	836
Rowan.....	3,924
Total .....	23,899

## Accounts Billed

2007.....	23,899
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## Average Kilowatt-hour use (Residential per month)

2007.....	1,114
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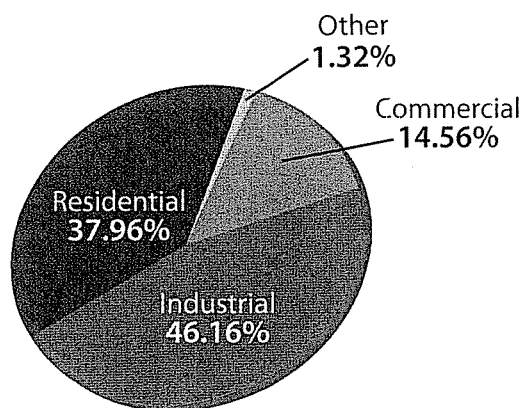
## Miles of Line

2007.....	3,483
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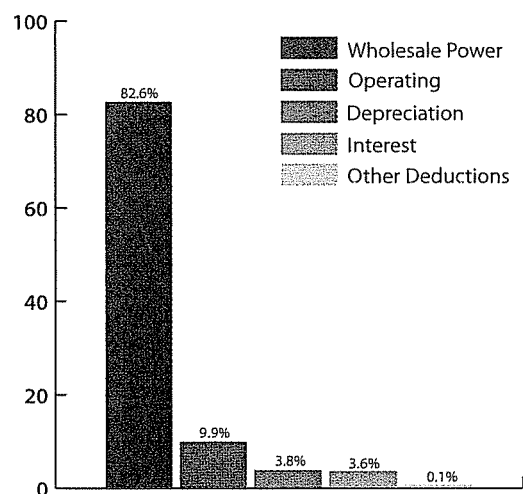
## Consumers per Mile

2007.....	6.86
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## REVENUE SOURCES



## MAJOR COSTS



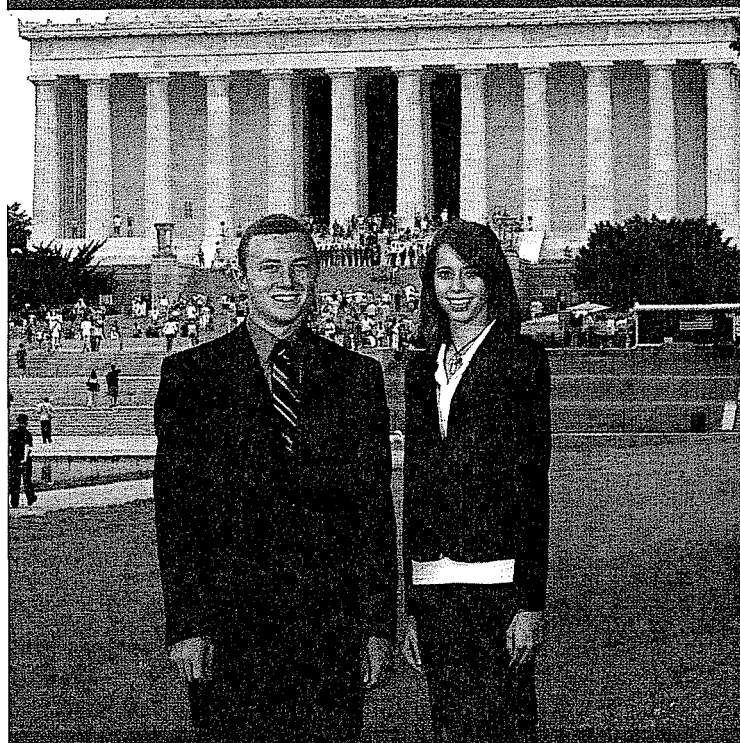
# FINANCIAL RESULTS

## Statement of Operations

For the Year Ending December 31, 2007

Operating Revenue .....	\$65,770,260
Operating Expense	
Purchased Power .....	\$55,340,211
Operating System .....	6,649,848
Depreciation .....	2,549,201
Interest on Loans .....	2,413,104
Other Deductions .....	66,678
 Total Cost of Electric Service .....	 \$67,019,042
 Operating Margins .....	 (1,248,782)
Non-Operating Margins .....	(99,494)
G & T Capital Credits .....	0
Other Capital Credits .....	110,589
 Patronage Capital & Margins .....	 (1,237,687)

You can rely on Fleming-Mason Energy Co-op to support activities important to our community, including sponsorship of the annual Washington Youth Tour. Shown here are Dustin Robinson of Carlisle and Sara Bradley of Morehead in front of the Lincoln Memorial on the National Mall in Washington, D.C., last June as part of the 2007 Washington Youth Tour.



## Balance Sheet

For the Year Ending December 31, 2007

### Assets

Total Utility Plant .....	\$77,427,969
Less Depreciation .....	18,976,117
Net Utility Plant .....	\$58,451,852
Patronage Capital in Assoc Org. ....	\$12,507,082
Cash & Investments .....	2,147,725
Owed to Co-op on Accts & Notes .....	7,755,986
Material Inventory .....	367,222
Expenses Paid in Advance .....	99,357
Deferred Debits and Other Assets .....	132,962
Total Assets .....	\$81,462,186

### Liabilities

Consumer Deposits .....	623,899
Membership and Equities .....	18,084,570
Long-Term Debt .....	44,662,498
Notes and Accounts Payable .....	16,748,955
Other Current Liabilities .....	1,342,264

Total Liabilities .....

\$81,462,186

## Fleming-Mason Service Corporation

As of December 31, 2007

### Balance Sheet:

Current Assets .....	\$70,869
Property & Equipment .....	\$807,315
Total Assets .....	\$878,184

Current Liabilities .....	\$765,258
Long-Term Liabilities .....	\$11,861
Capital .....	\$101,065

Total Liabilities and Capital .....

\$878,184

### Income Statement:

Revenue .....	\$490,365
Cost of Sales .....	\$86,395
Gross Profit .....	\$403,970
Total Expenses .....	\$522,470

Net Income .....

(\$118,500)



# ANNUAL MEETING OF MEMBERS

## *Fleming-Mason Energy*

Where .....Fleming-Mason Energy Office

When .....Thursday, May 22

Registration Time .....4:30 p.m.

Meeting Time.....6:00 p.m.

The annual membership meeting of this co-op organizes to take action on the following matters:

1. Report on the number of members present in person in order to determine the existence of a quorum
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be
3. Reading of approved meeting of the members and the taking of necessary action thereon
4. Presentation and consideration of reports of officers, trustees, and committees
5. Report on the election of board members
6. Unfinished business
7. New business
8. Adjournment

### Report of the nominating committee

Having been appointed as a nominating committee to nominate candidates for directors of the Fleming-Mason Energy Cooperative, Inc. to be voted on at the 70<sup>th</sup> annual meeting to be held May 22, 2008, we the undersigned nominate the following candidates:

**William Cooper**  
**Tom Saunders**

Ferman Perkins  
Wm. David Ellington  
Oney Gifford, Jr.  
Randall Biddle  
Mike Grigson

## YOUR BOARD OF DIRECTORS



Christopher S. Perry  
*President and CEO*



J.E. Smith Jr.  
*Chairman*



Timothy S. Eldridge  
*Vice Chairman*



Lonnie C. Vice  
*Secretary-Treasurer*



John Roe



William Cooper



Tom Saunders



Elmer Foxworthy

# 2008 ANNUAL MEETING

THURSDAY, MAY 22

Fleming-Mason Energy Grounds  
Flemingsburg, KY

Registration:

4:30 p.m.

Business meeting:


6:00 p.m.



**FREE!**

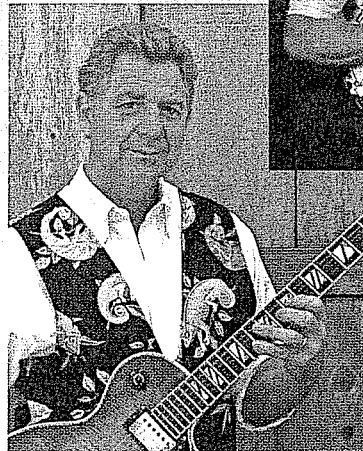
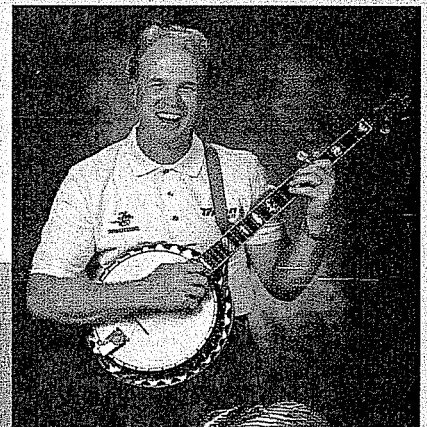
Energy-saving lightbulbs  
for members who attend!

**FLEMING-MASON**  
**ENERGY**

A Touchstone Energy® Cooperative 

**FEATURED  
ENTERTAINER**

**MIKE SNIDER &  
THE MIKE SNIDER  
STRING BAND**



**CHILDREN'S  
ENTERTAINER**  
**RICK ARNOLD**



**CARICATURIST**  
**DENNY WHALEN**

**free food**

entertainment • exhibits

door prizes • inflatables for kids

